



Packaging M&A Update – Q1 2024



Packaging M&A Update

Q1 2024

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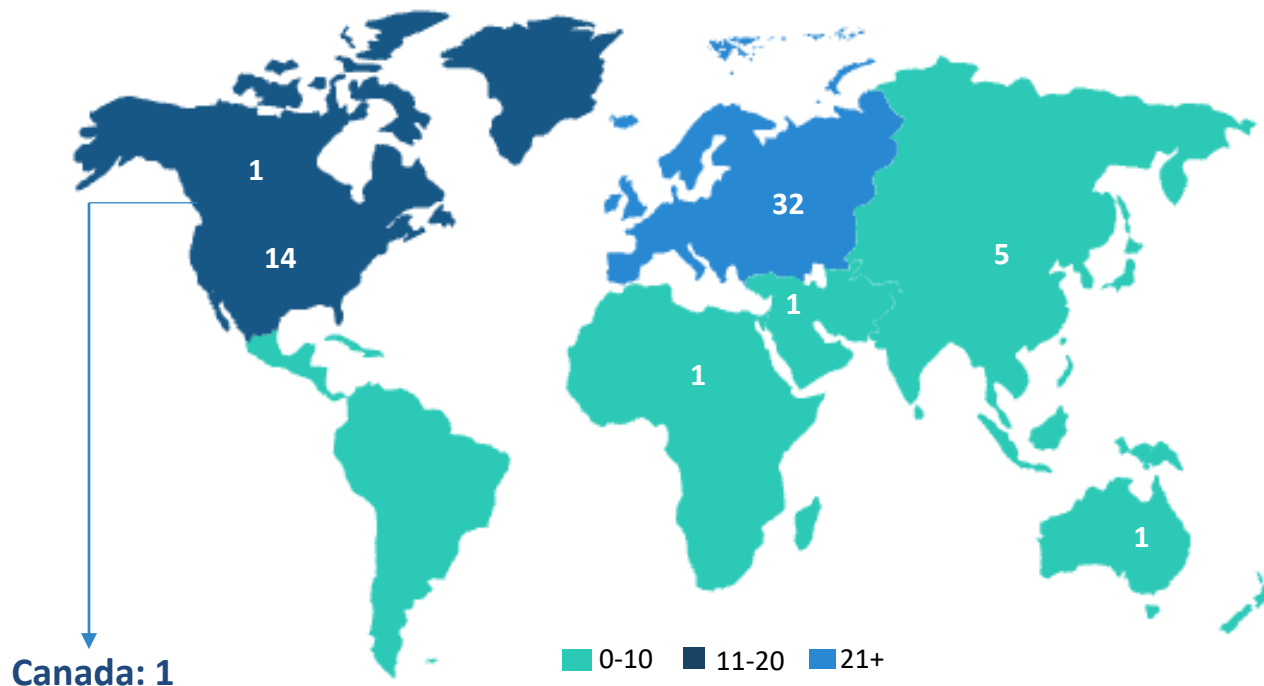
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REPORT HIGHLIGHTS

- In Q1, the Dow Jones Containers & Packaging Index increased 8.0% and outperformed the Dow Jones Industrial Average, which increased 5.6% over the same period.
- The median EV/EBITDA multiple for reported PE deals was 5.8x in 2024 (only one deal multiple was reported), down from 8.0x in 2023, and decreased for strategic deals to 9.4x in 2024 from 10.0x in 2023.
- M&A deal volume decreased 1.8% in Q1 2024 to 55 deals from 56 in Q4 2023, but increased 7.8% from 51 deals in Q1 of the prior year.
- Total capital invested in M&A deals in the Packaging sector decreased 60.8% in Q1 2024 to \$2.0B from \$5.1B in Q4 2023, and decreased 13.0% from \$2.3B in the same period of the prior year.
- Europe was the most active region in Q1 with 32 deals. Most notably in the European market was One Rock Capital Partners' \$1.2 billion acquisition of Constantia Flexibles, an Austria-based manufacturer of flexible packaging, in January 2024.

Global Deal Analytics

Of the 55 deals in Q1 2024, Europe was the most active market with 32. Another notable deal in the quarter in Europe (aside from the Constantia Flexibles deal mentioned on the previous page) was Greif's \$538.0 million acquisition of Ipackchem Group, a French-based manufacturer of barrier packaging, in March 2024. North America was the second most active with 15 closed transactions. All other regions combined for a total of 8 completed transactions.



Canada: 1

United States Regions: 14

Southeast: 4

West Coast: 3

Great Lake: 3

Mountain: 2

Others: 2

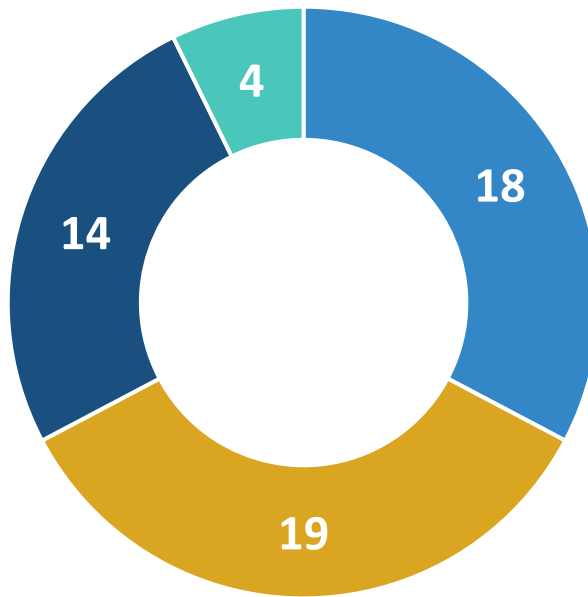
In the United States market, the Southeast region was the most active with 4 closed deals. Most notably in the Southeast was the \$15.0 million injection of development capital in Danimer Scientific (NYS: DNMR), a producer of plastics products sold under the proprietary Nodax brand name, in March 2024. The West Coast and Great Lake regions each had 3 deals closed. The Mountain region had 2 deals close and all other regions in the U.S. totaled 2 transactions in Q1.

Outside of the U.S. in the North American market, 2 transactions closed in Canada in Q1.

Global Deal Analytics

Of the 55 Packaging deals in Q1 2024, 19 deals closed in the Paper subsector, making it the most active subsector in the industry from an M&A standpoint. Plastic Packaging was the second most active with 18 deals followed by Metal and Other with 14. Wood was the least active subsector with 4 completed transactions.

Deals by Subsector



■ Plastic

■ Paper

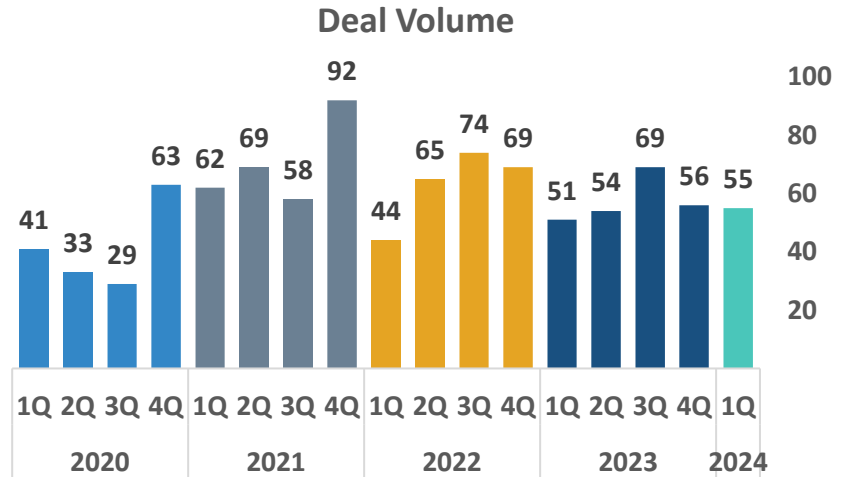
■ Metal & Other

■ Wood

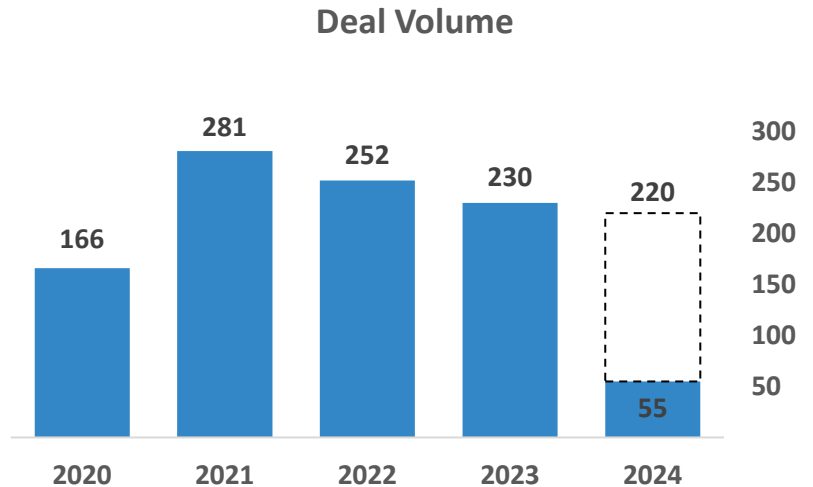


Global Deal Analytics

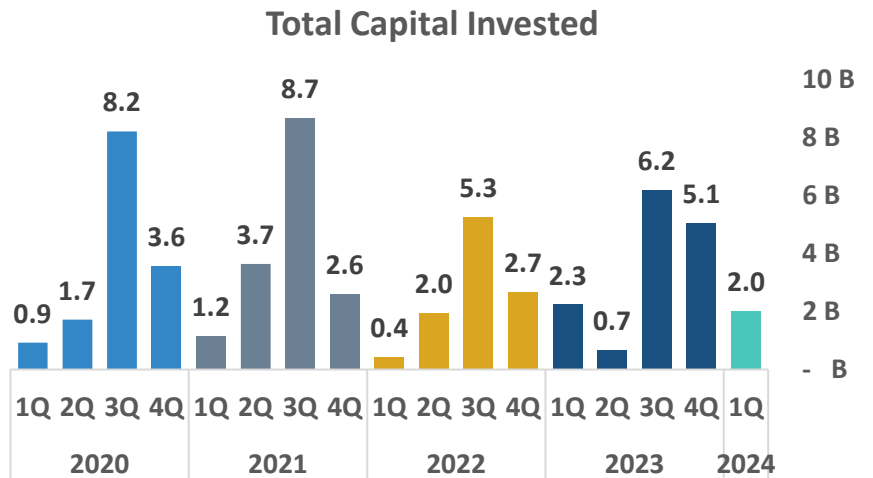
Deal volume in the Packaging sector decreased 1.8% in Q1 2024 to 55 deals from 56 in Q4 2023, but increased 7.8% from 51 deals in Q1 of the prior year.



M&A deal volume is projected to see a 4.3% decrease to 220 deals in 2024, down from 230 in 2023. We attribute this decline to more challenging market conditions from a dealmaking perspective, including elevated interest rates/cost of capital. We anticipate market conditions loosening in 2H 2024 as more of a prevailing consensus emerges around the Fed beginning rate cuts as early as June and much of the market uncertainty overhang from 2023 becomes largely in the rear view mirror.



Total capital invested in M&A deals in the Packaging sector decreased 60.8% in Q1 2024 to \$2.0B from \$5.1B in Q4, and decreased 13.0% from \$2.3B in the same period of the prior year. The decrease from the prior quarter is largely due to CD&R's \$2.6 billion acquisition of Veritiv in November 2023.



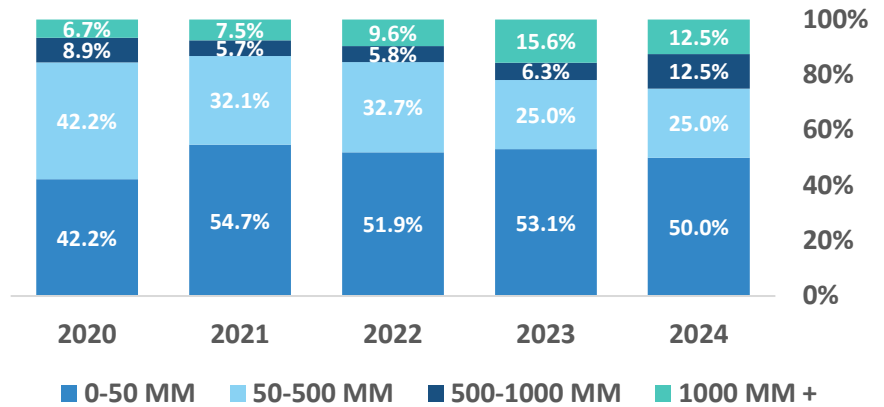
Global Deal Analytics

In general, we saw a shift towards larger deals in Q1, specifically in the upper middle market (\$500 - \$1000 MM), which increased to 12.5% from 6.3% in the prior year. The lower middle (\$0 - \$50 MM) and large cap (\$1000 MM+) tranches of the market both saw slight decreases in Q1 to 50.0% and 12.5% from 53.1% and 15.6%, respectively, in the prior year. Deal volume in the middle market (\$50 - \$500 MM) remained flat at 25.0%.

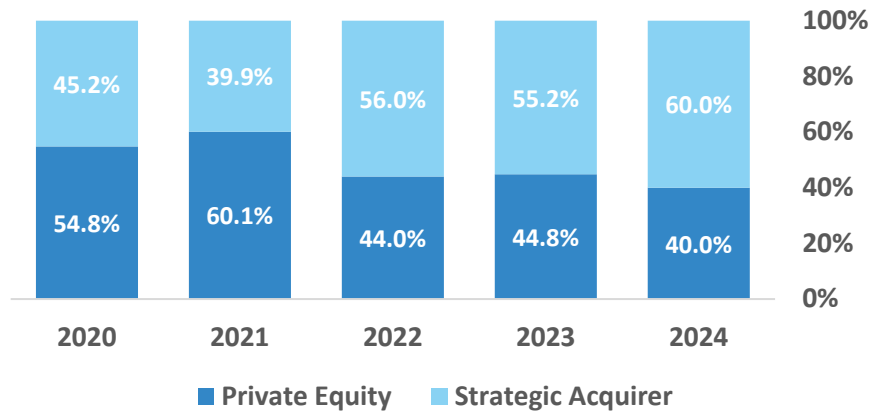
As a % of total deal volume, PE buyers trended lower in 2024, representing 40.0% of deal volume in the sector, down from 44.8% in 2023. 2024 marks the lowest percentage of PE deal volume over the last 5 years. This lower level of PE activity is indicative of challenging market dynamics with elevated costs of capital and tightening liquidity from lenders.

Total capital invested by PE investors (as a % of overall capital invested) increased in Q1 to 69.2% from 65.5% in the prior year. This increase is primarily due to One Rock Capital Partners' \$1.2B LBO of Constantia Flexibles in January 2024.

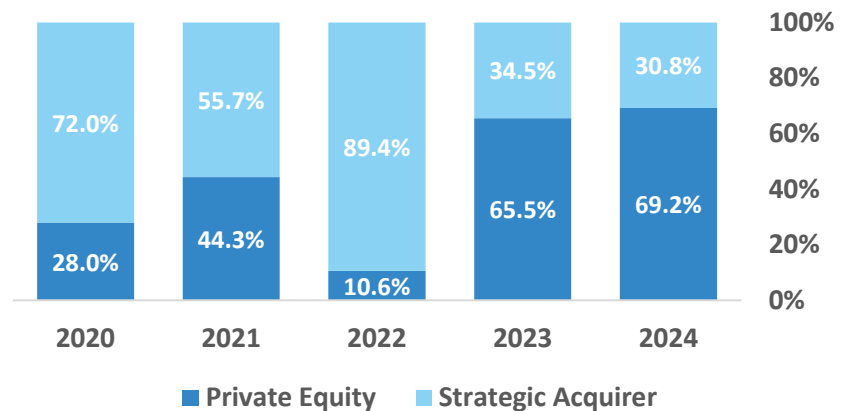
Deal Volume by Deal Size



Deal Volume by Acquirer

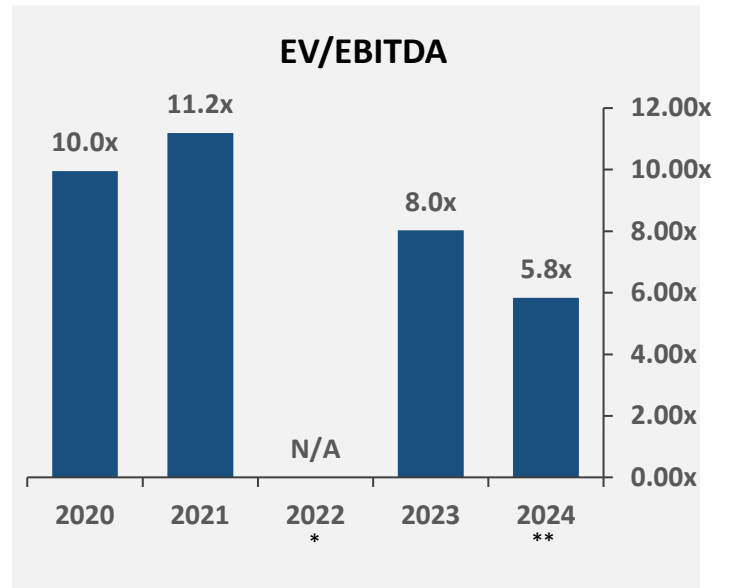
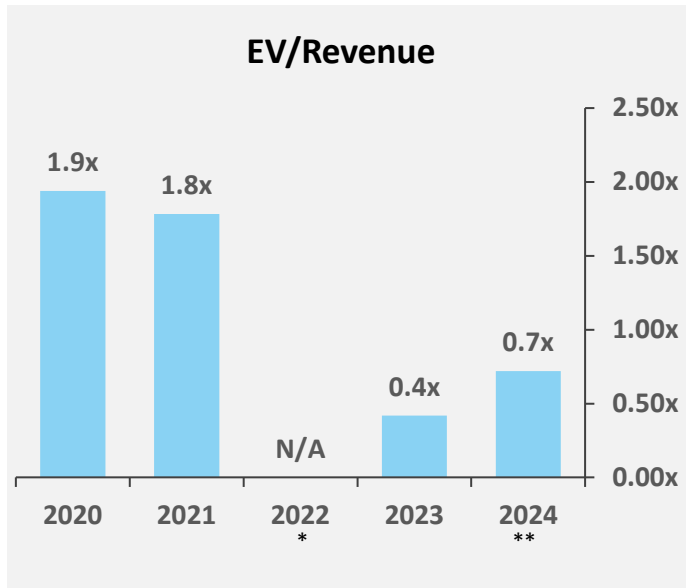


Total Capital Invested by Acquirer

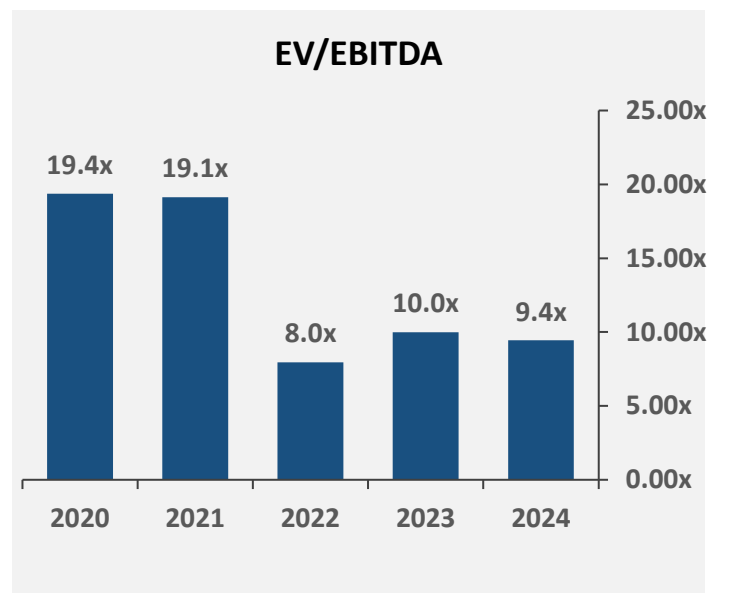
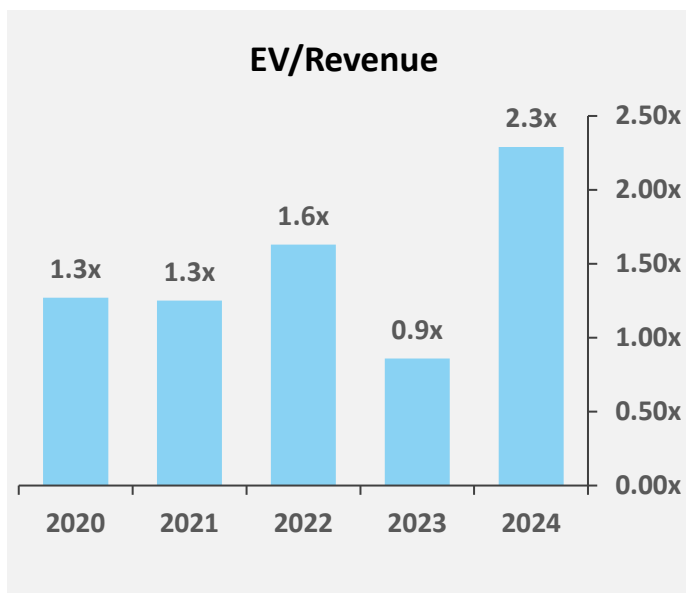


Valuation Multiples

Private Equity Multiples



Strategic Multiples











* No reported Private Equity EV/Revenue or EV/EBITDA multiples were available in 2022.

** Saudi Arabia's Public Investment Fund's acquisition of a minority stake in Middle East Paper was the only private equity deal reported in 2024.

Largest Deals (Disclosed)

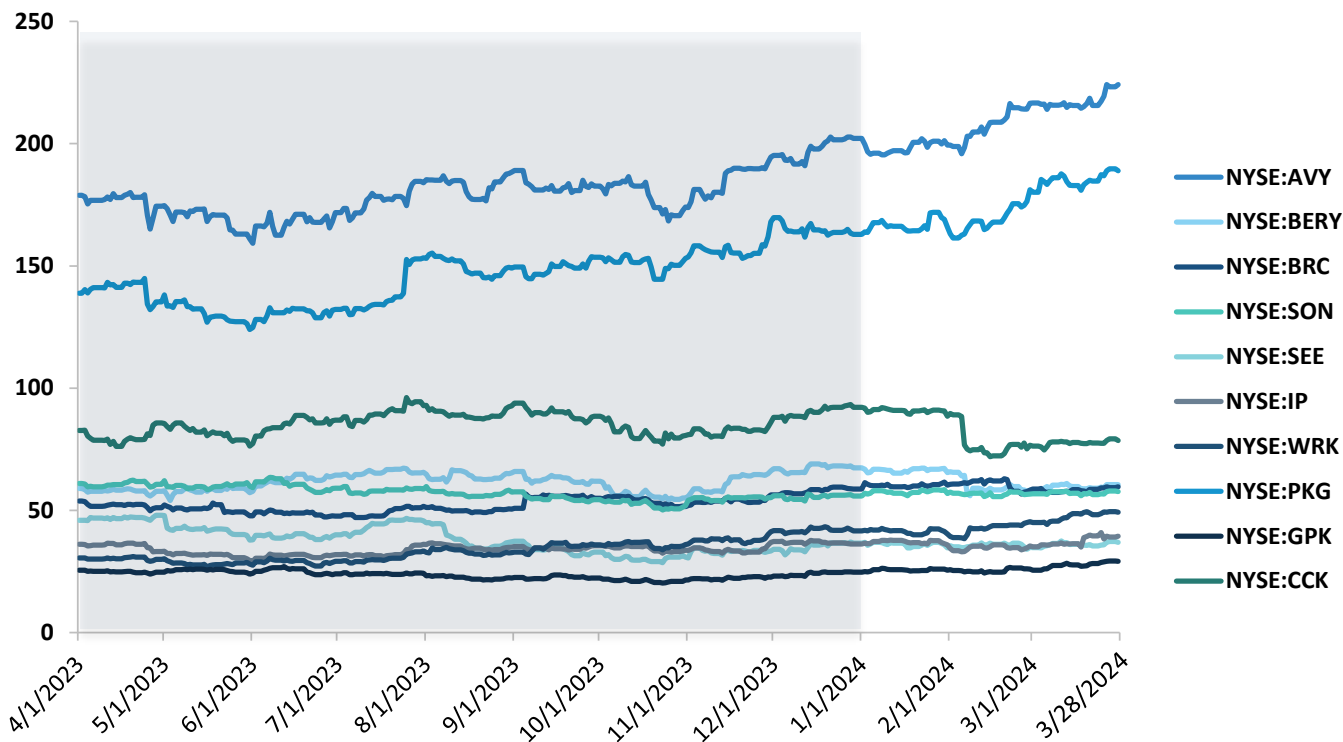
Deal Date	Company Name	Investors	Deal Type	Revenue (\$mm)	EBITDA (\$mm)	Deal Size (\$mm)	EV		Target Business Description
							Revenue	EBITDA	
27-Mar-2024	Cartotecnica Rigon	Alcedo	Buyout/LBO	\$ 0.3	\$ 0.2				Manufacturer and distributor of paperboard packaging and displays in Italy.
26-Mar-2024	lpackchem Group	Greif	Merger/Acquisition	235.0	57.0	538.0	2.29x	9.44x	Manufacturer of barrier packaging for specialty chemicals industries.
25-Mar-2024	Danimer Scientific	Undisclosed Investor	PIPE	51.1	(94.3)	15.0	0.29x		Producer of plastic products under the Nodax brand.
20-Mar-2024	MS Packaging	Grupo Hinojosa	Merger/Acquisition	64.9					Manufacturer of paper and corrugated packaging serving the food and beverage market in Arzano Italy.
27-Feb-2024	Flock1	Clairefontaine Rhodia	Merger/Acquisition	5.4					Provider of luxury packaging services specializing in various high-end products based in Berck France.
25-Feb-2024	Coca-Cola Femsa Philippines	Aboitiz	Merger/Acquisition			32.1			Operator of a beverage bottling plant in Taguig Philippines specializing in Coca-Cola distribution.
14-Feb-2024	Arteos Digital	Cartonajes Salinas	Merger/Acquisition	6.5					Manufacturer of folding boxes based in Madrid Spain.
14-Feb-2024	Vessl	Beacon Hill Brands	Corporate			7.5			Developer and manufacturer of patented closure and delivery devices.
01-Feb-2024	Tecnoprifaf	Antalis International	Merger/Acquisition	28.1					Manufacturer and distributor of wooden packaging and anti-corrosion products for industrial customers.
30-Jan-2024	Mics Chemical Company	Nakamoto Packs Company	Merger/Acquisition	19.9	1.0				Manufacturer of plastic packaging products for various industries including food seafood and electronic parts.
22-Jan-2024	Looping	Marius Maske	PE Growth/Expansion			2.2			Manufacturer of reusable transport packaging products to replace single-use plastic solutions.
16-Jan-2024	Helios Packaging	Sleever International	Merger/Acquisition	5.4					Manufacturer of sleeving machines and contract packaging solutions for various packaging needs.
09-Jan-2024	Teknikum Group	Sanok Rubber Company	Merger/Acquisition			51.2			Manufacturer of technical polymer products for mining rail and personal protective equipment industries.
08-Jan-2024	Danpal	Daimyo	Buyout/LBO		1.2				Manufacturer of wooden pallets for optimal resource utilization and minimal environmental impact.
04-Jan-2024	Middle East Paper	Saudi Arabia's Public Investment Fund	PIPE	232.5	28.6	167.2	0.72x	5.84x	Manufacturer of containerboard and industrial papers.
04-Jan-2024	Constantia Flexibles	One Rock Capital Partners	Buyout/LBO			1,225.5			Manufacturer of flexible packaging for pharmaceutical and consumer industries offering tailor-made solutions for various products.
Mean				64.9	(1.0)	254.8	1.10x	7.64x	
Median				24.0	1.1	41.6	0.72x	7.64x	
High				235.0	57.0	1,225.5	2.29x	9.44x	
Low				0.3	(94.3)	2.2	0.29x	5.84x	

Leading M&A Deals (Completed)

Deals	Deal Synopsis	Driver
 	<p>One Rock Capital Partners (“One Rock”) acquired Constantia Flexibles (“Constantia”), an Austrian manufacturer of flexible packaging for the pharmaceutical industry, from European investment firm Wendal for \$1.2 billion in January 2024. One Rock anticipates that the rising demand for flexible packaging will continue to be a growth driver for Constantia.</p>	<p>LBO</p>
 	<p>Ipackchem Group, a French manufacturer of barrier packaging for the fragrance and agrochem industries, was acquired by Greif for \$538.0 million in March 2024. The acquisition expands Greif’s product offerings in performance plastics and broadens its geographies and end markets.</p>	<p>Merger/ Acquisition</p>
 	<p>In January 2024, Saudi Arabia’s Public Investment Fund (“PIF”) acquired a 23% stake in Middle East Paper (“MEP”), a manufacturer of containerboard and industrial papers, for \$167.2 million. The investment allows MEP to expand its sustainable production activities while focusing on high value-added products and growing its export activities.</p>	<p>PIPE</p>
 	<p>Coca-Cola Femsa Philippines (“CCBPI”), a Philippines-based operator of a beverage bottling plant, was jointly acquired by Aboitiz Equity Ventures (“AEV”) and Coca-Cola Europacific Partners Plc (“CCEP”) for \$32.1 million in February 2024. The acquisition will further diversify AEV’s portfolio in the branded consumer goods space.</p>	<p>Merger/ Acquisition</p>

Public Comps

Stock Price



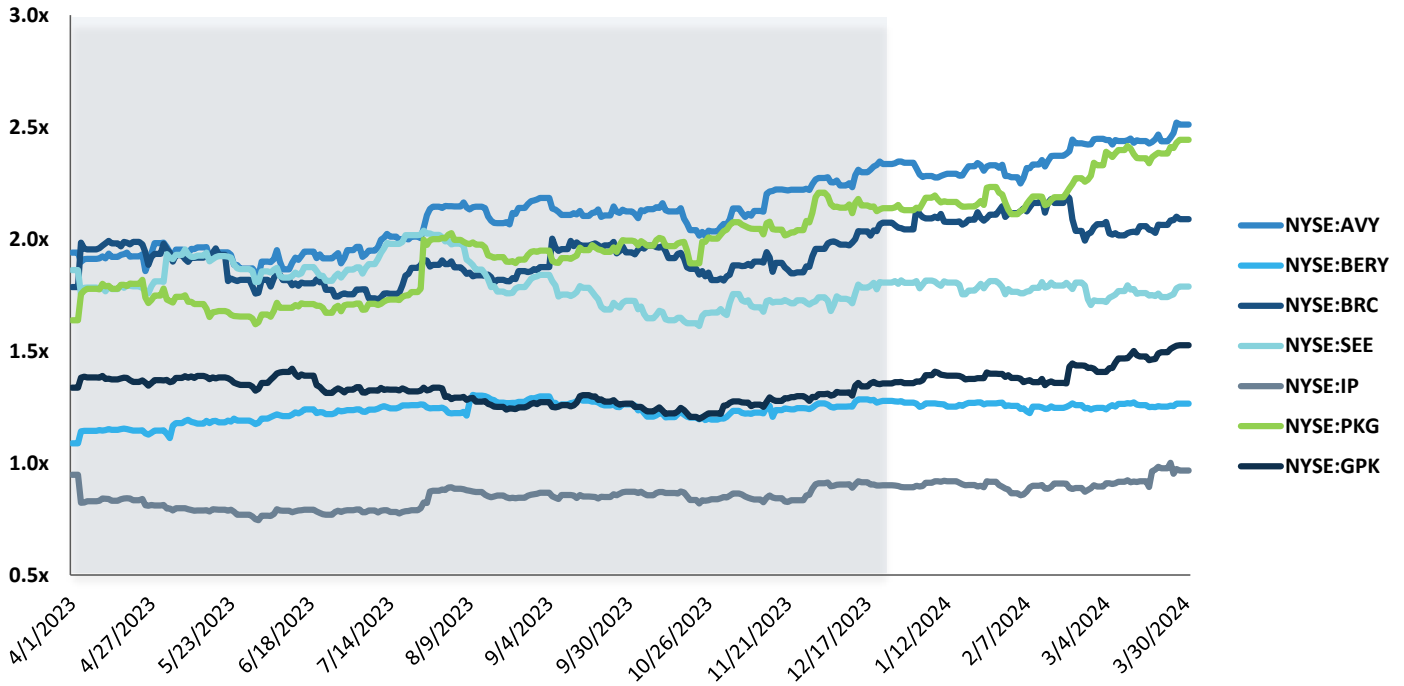
Financial & Valuation

\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			EBITDA Margin		
						21A	22A	23	21A	22A	23	21A	22A	23	21A	22A	23
	Avery Dennison	NYSE:AVY	223	17,976	3,244	1.9x	2.3x	2.2x	12.2x	18.1x	13.6x	22%	12%	4%	16%	16%	16%
	Berry Global	NYSE:BERY	60	7,011	9,265	1.1x	1.3x	1.3x	7.7x	8.6x	7.7x	18%	5%	0%	15%	14%	17%
	Brady Worldwide	NYSE:BRC	59	2,865	73	1.8x	2.0x	2.0x	10.1x	10.2x	N/A	11%	10%	1%	17%	18%	N/A
	Sonoco	NYSE:SON	58	5,666	3,348	1.3x	1.3x	1.3x	9.8x	8.3x	8.3x	7%	27%	0%	1%	13%	16%
	Sealed Air	NYSE:SEE	37	5,375	4,786	1.9x	1.8x	1.8x	9.3x	10.4x	8.8x	10%	8%	-2%	19%	20%	20%
	International Paper	NYSE:IP	39	13,502	5,905	0.9x	0.9x	0.9x	9.3x	7.7x	8.0x	-2%	28%	0%	14%	13%	12%
	WestRock	NYSE:WRK	49	12,707	8,698	0.8x	0.9x	0.9x	5.5x	75.7x	6.9x	7%	13%	-2%	16%	14%	14%
	Packaging Corporation of America	NYSE:PKG	190	17,034	3,173	1.6x	2.1x	2.1x	7.1x	10.4x	9.7x	11%	15%	2%	20%	23%	21%
	Graphic Packaging	NYSE:GPK	29	8,931	5,624	1.4x	1.4x	1.3x	9.6x	7.4x	6.8x	6%	33%	1%	14%	14%	19%
	Crown Holdings	NYSE:CCK	79	9,574	7,699	1.3x	1.5x	1.5x	54.3x	10.9x	9.4x	42%	20%	1%	17%	2%	15%

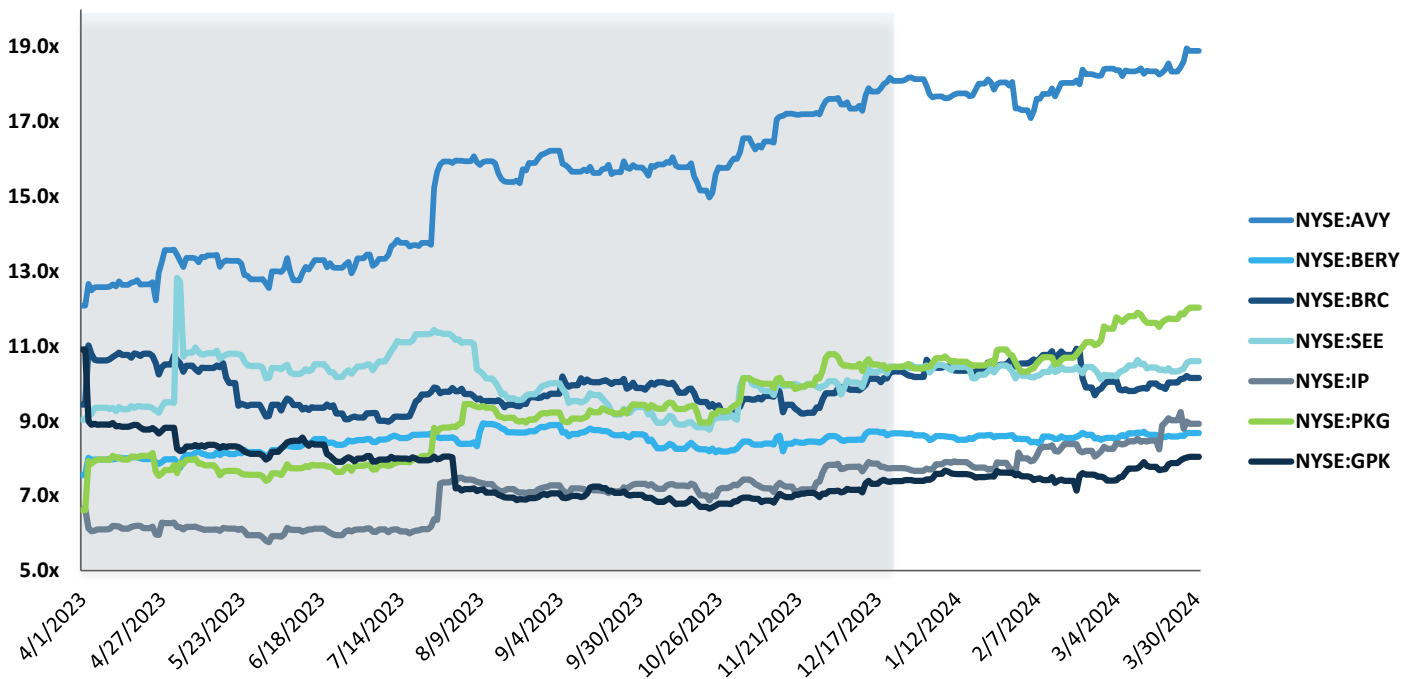
Mean						1.4x	1.6x	1.5x	13.5x	16.8x	8.8x	13.2%	17.1%	0.5%	14.9%	14.7%	16.8%
Median						1.3x	1.4x	1.4x	9.5x	10.3x	8.3x	10.4%	14.4%	0.2%	15.7%	14.2%	16.2%

Public Comps

EV/Revenue



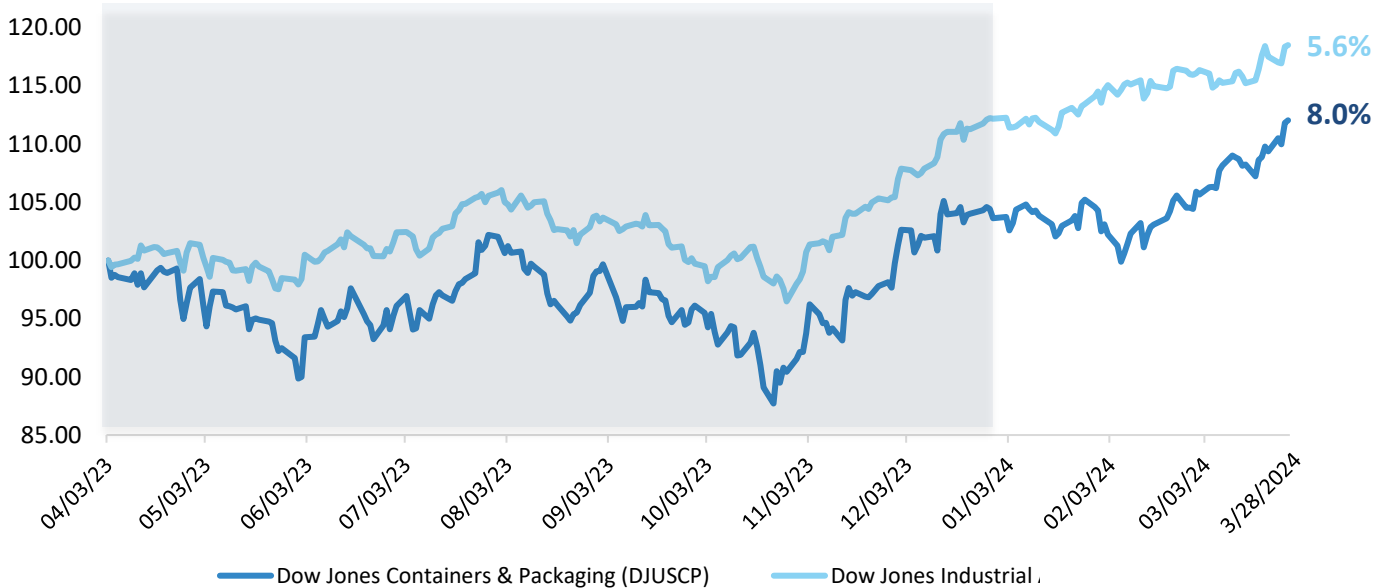
EV/EBITDA



Public Markets

Index Performance

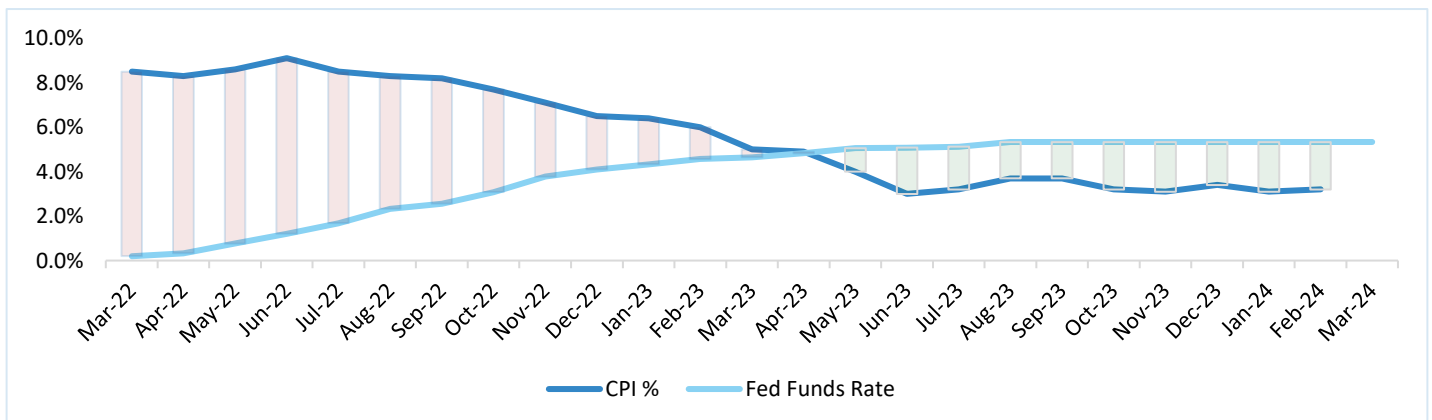
In Q1, the Dow Jones Containers & Packaging Index increased 8.0% and outperformed the Dow Jones Industrial Average, which increased 5.6% over the same period.



Key External Drivers

Overall, the Packaging industry tends to be less stable and resistant to volatility in the broader economy than other industries.

The Federal Reserve is anticipated to initiate a series of rate cuts in 2H 2024, with policymakers considering three cuts starting as early as June, aiming to reduce the Fed funds rate from 5.25%-5.5% to 4.5%-4.75% by yearend 2024. This outlook, coupled with the latest above-expectations performance by the Magnificent Seven Stocks, has fueled public equity activity in Q1 2024. This quarter, the S&P 500 surged to 17 new record highs and has experienced a significant YoY increase of 27.4% since April 2023. The anticipated rate cuts are poised to increase M&A activity in the packaging sector by lowering the cost of capital required to finance acquisitions. Lower borrowing costs may narrow the gap between the price sellers are willing to accept and the proposed purchase price offered by buyers. Although we anticipate elevated M&A activity relative to 2023, we do not foresee M&A activity returning to the record-high levels seen in 2021.



Industry Trends

E-commerce Packaging

Increasing demand for corrugated boxes

Unlike retail packaging, e-commerce packaging prioritizes product safety during shipping, using lightweight materials meeting ISTA 6 Testing standards. This ensures intact deliveries, reducing returns. Materials like corrugated cardboard and paperboard not only ensure product safety but also offer environmentally friendly alternatives to plastics. With U.S. e-commerce sales growing steadily at 0.5-1% over the last four quarters, demand for e-commerce packaging is rising.



Internet of Packaging

Traditional packaging is disrupted by the internet of packaging

Smart packaging makes use of Near Field Communication (NFC) chips, smart labels, RFID, and QR codes. By enabling protection, authentication, and connection, these cutting-edge solutions provide value by converting product packaging into a data carrier and digital tool. This enables information about specific packages to be registered and updated in the cloud during the course of the product's lifespan.



Sustainable Packaging

Packaging from sugarcane, hemp, and cornstarch to replace plastic packaging

Government regulations targeting plastic waste, along with growing consumer demand for sustainable packaging, are fueling the demand for biodegradable and recyclable alternatives. Over the past five years, 8 states have prohibited single-use plastic bags, and 20 states have enacted legislation to promote recycling efforts. In 2022, California implemented legislation with the goal of reducing single-use plastic products by 25% by 2032. These regulatory initiatives have prompted 75% of companies to pledge commitments to sustainable packaging.



Marketing Through Packaging

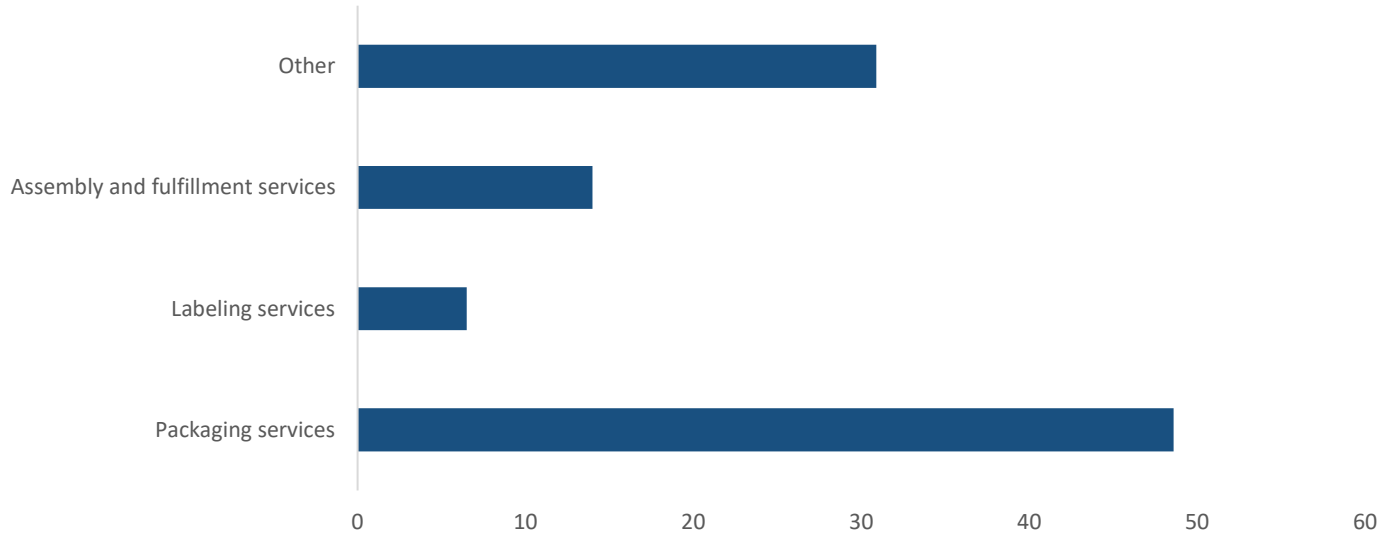
Personalizing packaging to establish customer connections

Heightened competition within the retail industry is elevating the need for tailored marketing strategies aimed at specific customer segments. One popular marketing medium that producers have adopted is packaging. By offering customizable packaging options and limited-edition designs, brands seek to differentiate their products and attain customer loyalty.

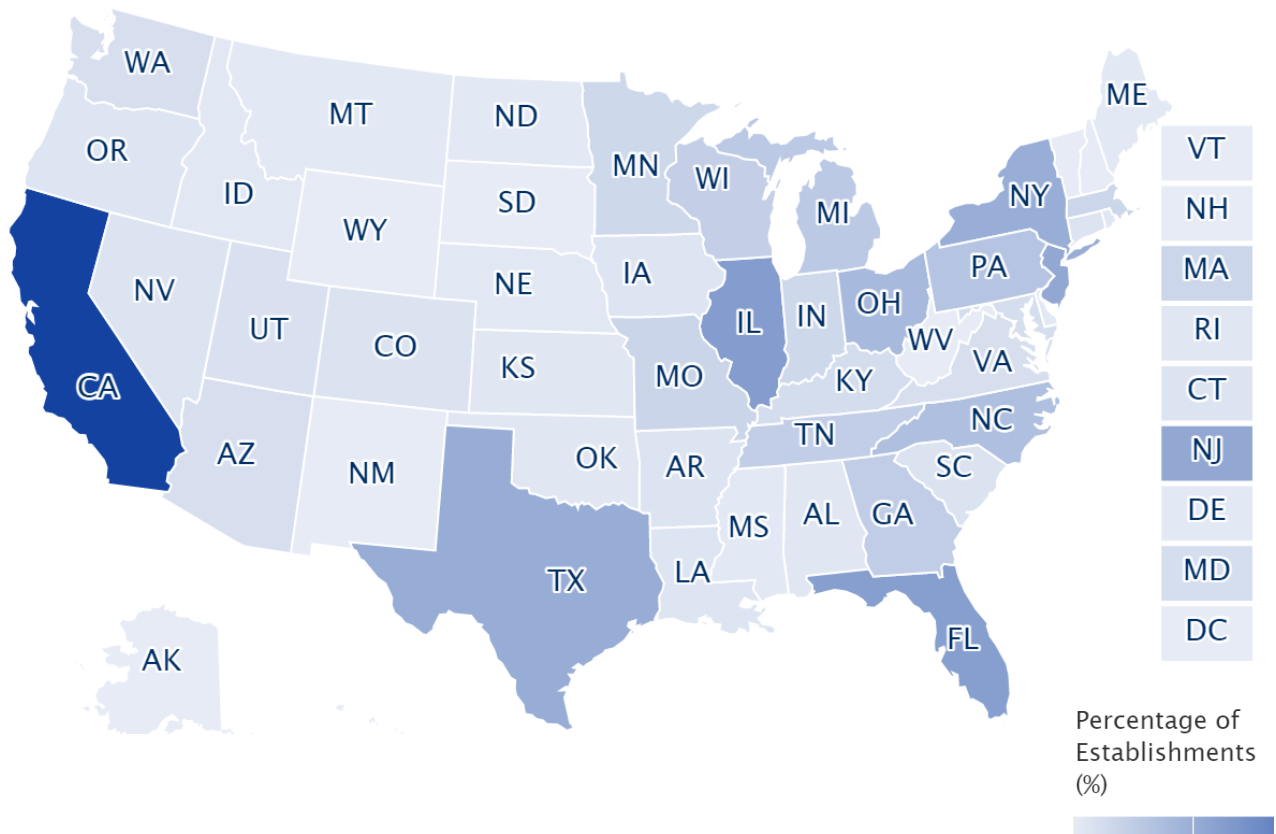


Industry Outlook

Deal Breakdown by Type



Business Locations



Our Service Offerings



Sell-Side Advisory: Sell your business

Sell your business for the highest price and for the best terms. At R.L. Hulett, communicating the value of your business to targeted buyers and finding the best fit for your team is our forte. We strive to maintain your company's culture and heritage even as you transition out of your business.



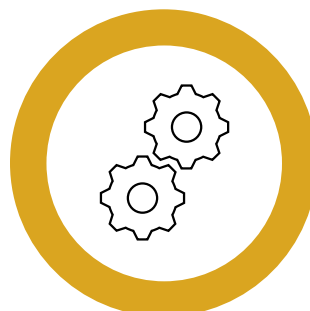
Buy-Side Advisory: Buy a business

Searching for acquisition targets can be a challenging and time-consuming task when trying to run your own business at the same time. Navigating the risks and pitfalls in negotiating valuation and deal structure can also be a daunting task for many business owners. Let our team help you minimize your risk and reduce time wasting efforts with our decades of experience in advising in both buy and sell-side M&A transactions. We utilize industry-leading M&A databases to scout for opportunities and pre-screen for "real" actionable targets so you can stay focused on what matters.



Capital Raise: Gain financial support

With nearly 40 years of experience in middle-market M&A advisory, we know how to package up your deal and put you in front of the right kind of investors who have the capital and the industry expertise you need to grow your business. Our team will develop a go-to-market strategy and advise on deal structure, valuation, due diligence and transition issues. Whether you are seeking capital for growth or trying to buy out other shareholders, we have the tools, expertise, and experience to execute a strategic process and find the optimal outcome to meet your objectives.



Restructuring: Reorganization of your business

In today's uncertain economic times, more and more companies are finding themselves in unfamiliar, and unwanted, positions. Many business owners are hoping recovery is just around the corner; however, proactive measures are often required to maximize the remaining value of the business. Our team can aid banking institutions with workout situations by implementing internal controls over cash management and performing on-going cash flow modeling for their clients. We can also help business owners avoid having trouble making payments on their debts and avoid the cumbersome and low-value asset liquidation process.

Selected Transactions



have been acquired by




a portfolio company of





Has sold substantially all of its assets to



Has been acquired by



Has sold substantially all of its assets to



Has been acquired by



Has been acquired by



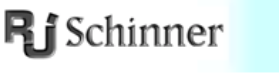
Has sold substantially all of its assets to



Has sold substantially all of its assets to



Has been acquired by



Our M&A Deal Leaders



R. Trevor Hulett, CPA
Managing Director
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Mr. Hulett has led M&A transactions in a variety of industries including manufacturing/industrial, software development/IT, business services and value-added distribution for over 15 years. Prior to joining the firm, he held senior level accounting and financial management positions in both public accounting and large corporations. Mr. Hulett began his career as a Certified Public Accountant with MPP&W, a St. Louis-based public accounting firm specializing in middle market companies. He then held various management positions in internal audit and corporate accounting with a Fortune 1000 industrial manufacturing company and also spent nine years with Enterprise Rent-A-Car Company as a department manager in the Corporate Accounting group. Mr. Hulett holds his Series 62, 63 and 79 securities registration. Mr. Hulett earned a Bachelor's Degree in Accounting from the University of Missouri, Columbia.



Robert L. Hulett
Chairman Emeritus
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Mr. Hulett founded the firm in 1981 and has negotiated and completed more than 200 transactions throughout his career. He began his career as a Certified Public Accountant and practiced with Peat, Marwick, Mitchell & Co. in St. Louis as an Audit Manager and in New York as the Director of Training for Private Business. Mr. Hulett has also served as Chief Executive & Board Member for various middle market companies. As an educator, he was an adjunct professor at New York University and a tenured faculty member at Lindenwood University in St. Louis. He conducted training sessions for middle market CPA firms throughout the country for more than ten years. Mr. Hulett earned his BS/BA Cum Laude in Accounting from the University of Missouri-Columbia, and an MBA from Lindenwood University.

Our M&A Deal Leaders



Ron Litton
Director
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Mr. Litton has been advising business owners in mergers and acquisitions since 2013. His primary industry focus areas have included industrials, paper and packaging, distribution, energy, promotional products and direct to consumer e-commerce. Prior to 2013, Mr. Litton held a variety of C-level roles with several companies in the paper and packaging industry including Unisource, Maverick Paper, Universal Graphics and Sabin Robbins. He has bought and sold a number of businesses, advised in the sale of family/founder owned businesses, and advised in start-ups and turnaround situations for banks, owners, and private equity firms. He enjoys working with owners that want to sell or transition out of their businesses. Ron covers the Kansas City and surrounding markets for the firm. He graduated from Central Missouri State University with a BS in Graphic Arts Technology and Management.



David T. Vass
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Mr. Vass has over 30 years of business management experience including more than 10 years as President of a highly successful consumer products manufacturing company with revenues exceeding \$25 million. During this time, he not only reversed a declining sales and earnings trend, but increased both sales and operating income over 100%. In addition, he has spent over 20 years at the executive level of Vice President of Sales and Business Development. Mr. Vass also has experience in a number of other industry niches including consumer products, commercial furniture and fixtures and metal recycling. He holds a Bachelor's Degree in Economics from DePauw University and an MBA from the University of Michigan.

Our M&A Deal Leaders



Ryan Hartman
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Ryan provides analytical support for senior-level deal managers and, as a senior analyst, supervises the preparation of confidential memorandums, financial models and industry research reports. Ryan graduated with a Bachelor of Science degree in Finance from The Freeman School of Business, Tulane University. Prior to joining the firm, Ryan worked as an equity analyst for Burkenroad reports, an equity research program that produces widely circulated financial reports on small- to medium-sized companies. During his time at Tulane University, Ryan was elected as Vice President of Administration for Tulane's community government, took extensive courses in Investment Banking M&A transactions, and volunteered as a data analyst for American Red Cross.



Charlie Meier
Analyst
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Charlie provides transaction support for senior-level deal managers including financial modeling, valuations, industry research, offering memorandums and a variety of presentations. He graduated with a Bachelor of Science in Business Administration Degree with a major in finance and banking from the Trulaske College of Business, University of Missouri. Prior to joining the firm, Charlie worked as an investment analyst for the University of Missouri's Investment Fund Management Program. During his time at University of Missouri, Charlie was elected as Recruitment Chairman for the Phi Delta Theta Fraternity and took extensive courses in Banking.



Lynda Hulett
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Lynda Hulett leads the firm's marketing, administrative and communication efforts. She maintains the firm's proprietary CRM database, manages outbound firm communications and provides administrative support to senior deal managers. Prior to joining R.L. Hulett, Lynda spent the previous ten years in various marketing and administrative functions. Most recently, she worked as a client liaison providing administrative support for a CPA firm. Prior to that, she was employed by Moneta Group, a financial services advisory firm, where she provided marketing and administrative support to the client managers. Lynda graduated from the University of Missouri – Columbia, receiving her business degree with an emphasis in Marketing.

About R.L. Hulett

R.L. Hulett is a middle-market investment bank based in St. Louis, Missouri, providing M&A and financial advisory services to middle-market companies. Since its founding in 1981, the firm has advised in over 275 transactions in a variety of industries including industrials, food & beverage, packaging, business services, transportation & logistics, healthcare and software/tech-enabled services. The firm has an experienced team of M&A advisors consisting of former business owners, seasoned corporate executives, professional service firm partners, CPAs and MBAs. Our ability to deliver customized solutions to meet or exceed our clients' expectations is what sets us apart from our competitors.

Industry Sectors Covered:



Packaging



Transportation & Logistics



Food & Beverage



Industrials



Tech-enabled Services



Healthcare

Disclaimer

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